

**GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Fortress Bank of Westby, Westby, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **June 23, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated Outstanding.

Fortress Bank of Westby promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions within assessment area. The bank's efforts are primarily accomplished through the origination of commercial, real estate, consumer, and small farm loans. These efforts are evidenced through a high loan to deposit ratio; a substantial majority of the bank's lending activity is within the assessment area; and the bank's lending to borrowers of different income levels and businesses and farms of different sizes is strong. The geographic distribution of the bank's lending activity is reasonable. Management has developed effective policies and procedures to prevent prohibited discriminatory lending practices. No CRA-related complaints have been received since the previous examination. The board and senior management are advised to review the examiner's comments in the CRA public evaluation.

**DESCRIPTION OF INSTITUTION**

Fortress Bank of Westby, Westby, Wisconsin, with assets of \$74 million as of March 31, 1997, is a subsidiary of Fortress Bancshares, Inc., a multi-bank holding company. The bank's main office is located in Westby, Wisconsin, approximately 35 miles southwest of La Crosse. The bank operates three branch offices, located in Coon Valley, Chaseburg, and West Salem, Wisconsin. A drive-up facility is located a few blocks from the main office in Westby.

The bank's primary competitors are the State Bank of Viroqua and the First National Bank of Viroqua, both located in Viroqua. The bank also receives competition from Union State Bank of West Salem, West Salem; and the Bank of Cashton, Cashton. Consumer loan products offered by the bank include installment, single-payment, credit cards and real estate loans (conventional fixed-rate and balloon-note mortgages). Non-consumer loan products include agricultural and commercial loans for operating expenses, equipment, and agricultural and commercial real estate loans.

**DESCRIPTION OF ASSESSMENT AREA**

Westby, Coon Valley, Chaseburg, and West Salem, with populations of 1,866, 817, 365, and 3,611, respectively, according to 1990 census data, are located in Vernon and La Crosse Counties. The bank's assessment area includes block numbering areas (BNAs) 9603, 9604, 9605, 9606 and 9607, in Vernon County; and census tract 101.02 in the La Crosse Metropolitan Statistical Area (MSA) in La Crosse County. The assessment area contains no low-income BNAs or census tracts, and one moderate-income BNA located in southern Vernon County. Other municipalities in the assessment area include Cashton, La Farge, Stoddard, De Soto, Genoa, Viola, and Readstown.

According to the 1990 census data, the assessment areas population is 22,605. The racial make-up of the assessment is 99.2% white. The median family income for the assessment area is \$28,410, while the median family income for the MSA and the non-metropolitan state are \$33,226 and \$30,290, respectively. There are a total of 6,212 families in the assessment area. Low, moderate, middle, and upper-income families represent 19.9%, 21.0%, 26.2%, and 32.9% respectively, of the total families in the assessment area.

The housing stock in the assessment area has a median value of \$48,382 and a median age of 43 years. There are 9,410 housing units in the assessment area; 70.0% are owner-occupied, 21.6% are rental units, and 8.4% vacant. Single-family residences represent 73.7% and two-to-four unit residences represent 6.8% of the total housing units available. The gross median monthly rent for the assessment area is \$262, compared to the MSA and non-metropolitan state median rents of \$349 and \$327, respectively.

The employment opportunities in the assessment area primarily consist of manufacturing, government, and agriculturally related businesses/services. The following chart depicts the

unemployment rates for the State of Wisconsin and counties within the bank's assessment area:

Unemployment Rates for April of 1996 and 1997			
Year	State	Vernon County	La Crosse County
1996	3.6%	4.8%	3.2%
1997	3.4%	5.0%	3.0%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has developed adequate policies, procedures and training programs supporting nondiscrimination in lending activities. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive portions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

### Loan-to-Deposit Ratio Analysis

A review of the bank's quarterly Consolidated Reports of Condition and the Uniform Bank Performance Reports (UBPR) for the period March 31, 1996 through March 31, 1997 revealed an average loan-to-deposit ratio (LTD) of 80.17%, which compares favorably to the bank's peer group average loan-to-deposit ratio of 69.23% for the same period. The following chart illustrates these figures, and how the bank compares to its local competition:

Loan-to-Deposit Ratio						
	3/31/96	6/30/96	9/30/96	12/31/96	3/31/97	Average
Fortress Bank of Westby	78.96%	81.64%	79.56%	81.12%	79.55%	80.17%
State Bank of Viroqua, Viroqua	68.50%	66.32%	67.55%	64.86%	68.20%	67.09%
First National Bank in Viroqua, Viroqua	69.72%	69.88%	69.20%	68.49%	68.45%	69.15%
Union State Bank of West Salem, West Salem	73.45%	75.34%	76.91%	71.12%	77.44%	74.85%
Bank of Cashton, Cashton	72.54%	74.76%	80.30%	77.10%	78.25%	76.59%
Peer Group	67.11%	69.62%	70.22%	69.65%	69.56%	69.23%

As the preceding chart illustrates, the bank's LTD has been stable since March 31, 1996. The bank began selling mortgage loans to the secondary market in the last quarter of 1996. When these loans are included in the bank's total loans for March 31, 1997, the LTD increases to 84.06%. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance when compared to its peer group and local competition.

### **Lending in Assessment Area**

Consumer and commercial/agricultural lending activity by the bank for the period of March 1, 1996, through March 31, 1997, was reviewed. For this period, 67.2% (592 of 881) of consumer loans and 86.0% (621 of 722) of commercial/agricultural loans originated by the bank were within the assessment area. A total of 75.7% (1,213 of 1,603) of all loans for the period were made in the assessment area. Lending activity within the assessment area exceeds the standards for satisfactory performance.

### **Lending Analysis Based Upon Borrower Income and Size of Business**

For loans sampled with income information, 7 of 13 (53.85%) were made to low- and moderate-income borrowers. The bank does not routinely collect income information from loan applicants; therefore, a loan amount of \$2,000 was used as a proxy to determine the bank's performance in this category. This amount was determined based on discussions with bank management as the maximum amount that low- and moderate-income individuals would typically borrow. It was determined that of 99 of 592 (16.7%) consumer loans originated within the assessment area, for the period of March 1, 1996, to March 31, 1997, were for \$2,000 or less. An analysis of all agriculture and business loans originated within the assessment area, for the period of March 1, 1996 to March 31, 1997, revealed that 615 of 621 (99.03%) originations were to small business and farms. Small businesses are defined as businesses with annual revenues of \$1 million or less, and small farms are defined as farms with annual revenues of \$500,000 or less. The bank's lending to borrowers of different income levels and businesses of different sizes exceeds the standards for satisfactory performance.

### **Geographic Distribution of Loans**

The bank's assessment area contains one moderate-income BNA (9605). An analysis was performed on 592 consumer loan originations within the assessment area for the period of March 1, 1996, through March 31, 1997. It was determined that 13 of 592 loans sampled (2.2%) were in BNA 9605. This number of originations is reasonable because the population in BNA 9605 is small compared to the other geographies in the assessment area. The bank's lending has penetrated into all of the BNAs and the sole census tract in the assessment area. The dispersion of consumer loans is consistent with population densities in the assessment area. The bank's performance meets the standards for satisfactory performance.

### **Response to Substantiated Complaints**

No CRA-related complaints have been received since the previous examination.